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UNCLAS SECTION 01 OF 03 PORT OF SPAIN 000195

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STATE FOR WHA/EPSC, WHA/CAR  
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TAGS: [EAGR](#) [ECON](#) [EFIN](#) [ETRD](#) [ECIN](#) [TD](#)  
SUBJECT: IMPACT OF RISING FOOD/COMMODITY PRICES - TRINIDAD AND  
TOBAGO

Ref: (A) 07 POS 278 (B) State 39410 (C) POS 185

SENSITIVE BUT UNCLASSIFIED; PLEASE PROTECT ACCORDINGLY

¶1. (SBU) SUMMARY: With food price inflation reaching 19.7% year-on-year, public concern and political fallout over the cost of food is growing. The "food crisis" has spotlighted the government's neglect of agriculture and the nation's dependence on imports. Although domestic food production meets local demand for some basic items, the country imports twice as much food as it exports in dollar terms, relying heavily on international markets for wheat and other staples. The GOTT has tried to deflect blame for food price inflation on global dynamics and "profiteering" retailers. To address public concern and reestablish its credibility, the GOTT needs to implement and communicate a coherent agricultural development strategy. Given its importance to T&T and the region, food security may weigh heavily on the agenda when T&T hosts the Summit of the Americas in 2009. END SUMMARY.

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Domestic Demand  
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¶2. (U) Rice, legumes, chicken, "ground" provisions (root vegetables), and flour are staples of the Trinbagonian diet. While T&T is able to satisfy some domestic demand with local production of fruits, vegetables, rice, and boilers, T&T is a net food importer. It relies heavily on international markets for staples such as rice, grains, dairy products, legumes, and root vegetables. In dollar terms, T&T imports twice as much food as it exports. While the cost of imports has risen, with flour prices increasing between 8% and 39% in April, prices of domestically grown foods also have risen steadily. The most recent Central Bank figures estimate year-on-year food price inflation reached 19.7% in March 2008, with fish, milk, cheese, and eggs rising by more than 30%. Fruits, vegetables, bread, and cereals have all increased by double digit amounts.

¶3. (U) With a reported 17-23% of the population living below the poverty line (US\$109 per month), steep price increases are having a sharp impact on many household budgets. An estimated 22,700 individuals receive food assistance through a national cash transfer program started in 2006, but this figure reflects only a fraction of the estimated 200,000 plus citizens living below the poverty line. Planned increases in electricity and water rates will further strain the budgets of low and middle income families.

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Domestic Supply  
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¶4. (U) With a few notable exceptions, food supplies in T&T have not been disrupted by the "food crisis." In December 2007, the GOTT

initiated a food importation drive to help reduce costs and maintain supplies. Under this initiative, the National Flour Mills (NFM) imports frozen foods in bulk and sells it cheaply to local food outlets. Recently, however, rice and flour, which are not included in the importation initiative, have been in short supply. Speaking with EconOff, the NFM Communications Director confirmed that the flour shortages stem from distribution problems and panic buying, not supply issues. Nevertheless, the shortages have led to rationing by retailers and isolated looting of delivery trucks along a dangerous stretch of highway. Unable to secure rice from Guyana, T&T importers have looked to Brazil for parboiled rice. Shipment delays have caused shortages, and while NFM reports sufficient supplies of locally grown white rice, media reports indicate otherwise.

15. (SBU) Public discussion about the need to increase local food production has focused on government action, not private investment. Farmers are capitalizing on the "food crisis" to highlight GOTT neglect of agricultural infrastructure, specifically irrigation and access roads. Small hold farmers, who typically lease or squat on government and private lands, have limited financial resources with which to expand production. Moreover, the rising costs of imported agricultural inputs are affecting both prices for locally grown food and the viability of existing agricultural activities. In some cases, farmers allege that GOTT import initiatives are eroding their markets by undercutting prices.

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Political Impact  
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16. (SBU) While there has been significant criticism of the GOTT, public discontent has not translated into violent protests or riots. Nor, given the balance of power in parliament, is this issue one

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that threatens the government's ruling majority. Critics and opposition leaders, though, point to the GOTT's alleged role in aggravating current situation, highlighting its emphasis on industrial development to the detriment of agriculture. Opposition leader Basdeo Panday, for example, blamed the current crisis on the GOTT's allocation of agricultural lands for residential development, as well as the GOTT's failure to convert fallow sugarcane fields into farmlands. Panday and others, including local business contacts, also point to the GOTT's inability to address inefficiencies at the nation's port and inadequacies in the local transportation network. For their part, local rice farmers recently criticized the GOTT's "make-work" employment programs for attracting unskilled labor away from agriculture. They also argue that government favoritism towards industry undermines the agricultural sector.

17. (SBU) The Prime Minister and his "food crisis" spokesperson, Minister of Consumer Affairs Peter Taylor, however, focus on the role of external forces in rising prices, including biofuels. They also have blamed retailers, accusing them of price gouging. Responding to calls to eliminate the value added tax on all food items, Manning said that doing so would have no effect on prices as retailers would not pass on these savings. These remarks have antagonized the private sector, while doing little to deflect criticism from the GOTT. With rare exception, Minister of Agriculture Arnold Piggott has been absent from the debate. It was Taylor, not Piggott, who delivered a much anticipated April 23 address before Parliament on the "food crisis." This address merely reviewed existing GOTT efforts, suggested that people eat more locally grown foods, and threatened legal action against "profiteers," offering no new solutions.

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Economic Impact  
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18. (U) Rising prices for imported food have put additional pressure on monetary policy, as the Central Bank already has its hands full containing the effects of government spending fueled by energy revenues. Overall inflation reached 9.8% year-on-year in March

¶2008. In the face of expectations that food prices will continue to rise, Central Bank Governor Ewart Williams recently called for urgent spending cuts to avoid the prospect of "endemic" double digit inflation. The usually reserved Williams remarked that, "We are facing a situation that could get out of control and that could easily slip away from us."

¶9. (U) In an effort to contain inflation in FY2007, the Central Bank issued more than TT\$2.3 billion (almost US\$400 million) in government bonds. While the inflation rate moderated by October 2007 to 7.3%, project spending and wage agreements signed in the run-up to national elections in November drove annual headline inflation to 10% in January, and the food price index topped 20%. In response, the Central Bank raised its benchmark interest rate for the first time in 17 months and increased the commercial bank reserve requirement.

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Environmental Impact  
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¶10. (U) Post is not aware of any environmental impacts directly attributable to rising food prices.

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Government Policy Response  
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¶11. (SBU) Food price inflation has been a serious issue for the GOTT for more than a year. In 2006, the GOTT assembled a Ministerial Task Force on Prices, and in August 2007 it held a "national consultation" on food prices, which highlighted several initiatives, including a joint agricultural project with Cuba (Ref A). Since these consultations, proposed initiatives have largely disappeared or been delayed, raising public ire. Faced with mounting criticism over the lack of progress, PM Manning outlined the government's comprehensive plan to address food prices on April 2, and Taylor reiterated it on April 23.

¶12. (SBU) GOTT's proposals include the creation of 7,000 farms from fallow sugarcane lands, the development of several large scale farming operations, a greenhouse demonstration project in conjunction with PCS Nitrogen, and the importation of low cost food products from Latin America (Reftel C). Notably, the Prime Minister has resisted calls for food subsidies, stating such measures simply lead to black market profiteering and unfair trade practices. Most recently, however, Piggott stated that the Ministry of Agriculture

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was considering new agricultural incentives, including subsidies for rice farmers. [NOTE: The GOTT has been promising to distribute sugarcane lands for several years without much progress. It has now proclaimed that 5,700 plots will be allocated to former sugarcane workers by late June 2008; critics are skeptical of this timeline. END NOTE]

¶13. (U) The GOTT also is working with CARICOM neighbors to address the "food crisis." At a recent meeting in Barbados, regional leaders agreed to decrease or remove the Common External Tariff (CET) on 34 food products. There are also plans to develop large tracts of land in Guyana under the Jagdeo Initiative, and the GOTT is funding a feasibility study for expanding regional ferry service to decrease transportation costs in the southern Caribbean. CARICOM will hold a meeting for investors in Guyana in June in an effort to generate interest in public/private partnerships for the region's agricultural projects. However, the lack of donor support for CARICOM agricultural projects at a June 2007 conference in Port of Spain suggests the region may have difficulty attracting private investment.

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Impact on Post Programs  
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¶14. (U) There has been no impact on post programs.

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Policy Proposals  
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¶15. (SBU) Public outcry over the rising cost of food and government inaction has put the GOTT on the defensive. Academics, government critics, and local pundits have labeled the GOTT's agricultural development strategy as short-sighted and unsystematic. To adequately address public concern and reestablish credibility on agricultural development, the GOTT needs to implement and communicate a coherent agricultural development strategy and explain clearly why it chooses not to pursue certain proposals, such as subsidies.

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Comment  
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¶16. (SBU) Given its impact on daily life, we do not expect food price inflation to disappear from the government's agenda or political commentary. The GOTT and others in the region can be expected to raise food security, biofuels and related issues at Summit of the Americas (SOA) preparatory fora. It will be important for U.S. officials to show sensitivity to the food security challenges facing the Caribbean. This may be a good time, for instance, to consider whether the U.S. can support local and regional initiatives, including by engaging directly with CARICOM on this concern. END COMMENT

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